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Producing Empty Socialized Housing

Privatizing Gains, Socializing Costs, and Dispossessing the Filipino Poor¹

This paper explicates the moral hazard in the current private-public partnerships (PPPs) that produced empty socialized housing in the Philippines. It argues that not only do housing PPPs privatize profits and socialize risks and costs, these also strengthen the state housing agency's efficacy as an instrument of neoliberal governance. It further argues that this moral hazard is built on and resolved by curtailing the urban poor's right to democratic participation and adequate housing. Through the socialized housing program, a systematic spatial, political, and economic displacement of the poor is institutionalized to facilitate private gain and commodify housing for the poor. By focusing on the Philippine case, this research contributes to a better understanding of housing governance within actually existing neoliberalisms in the South.

KEYWORDS: empty housing, moral hazard, urban poor dispossession, socialized housing, housing governance

Nasisisirang pabahay na matagal nang di binabahayan,
ipamigay na lahat sa mga mahihirap na walang bahay!

(Distribute the deteriorating and long-unoccupied
housing to the homeless poor!)

Gloria “Ka Bea” Arellano
KADAMAY National Chairperson

Within days, beginning on the early morning of Women’s Day in 2017, thousands of Filipino urban poor and homeless residents living in the peri-urban area of Bulacan, a province near Metro Manila, led by the *Kalipunan ng Damayang Mahihirap* (KADAMAY), illegally occupied more than 5,000 empty socialized housing units in seven off-city relocation sites. These units are for sale to low-ranking police personnel, and informal settler families (ISFs) living in central Metro Manila subject to forced eviction. The occupants protested the privatization and commodification of housing. They demanded affordable mass housing and livable communities, and that whatever profit is extracted from the units they occupied must be rechanneled into provisions for community facilities.

Amid criticisms of illegality and incivility, this collective political act, known as Occupy Bulacan, drew attention to more than a hundred thousand unoccupied and deteriorating socialized housing units all over the country. KADAMAY exposed the ineffectiveness, alleged corruption and the moral hazard of the housing program. In occupying units earmarked for slum dwellers in the Metro Manila core, it delayed the eviction and relocation of these poor families from their communities and livelihood.

Occupy Bulacan was condemned as criminal by no less than Philippine President Rodrigo Duterte. He threatened to “shoot them dead” (Reyes-Estrope 2017) if KADAMAY illegally occupied any more housing units. Chairperson of the Housing and Urban Development Committee of the House of Representatives, Albee Benitez, sympathetically called it an “organized defiance . . . a clear sign of desperation for a housing solution . . . [that considers] *hindi lang pabahay kundi marangal na pamumuhay* [not just housing but decent living]” during a Congressional inquiry (April 18, 2017) on the low-occupation of socialized housing built specifically for low-income police and military personnel. Almost a year after, these particular empty units

were to be sold by the National Housing Authority (NHA) to other qualified beneficiaries, including the Occupy Bulacan participants, following a Congress resolution.

In this paper, I explicate the moral hazard in the current private-public partnerships (PPPs) that produced empty socialized housing. I argue that not only do housing PPPs privatize profits and socialize risks and costs, these also strengthen the state housing agency's efficacy as an instrument of neoliberal governance. I further argue that this moral hazard is built on and resolved by curtailing the urban poor's right to democratic participation and adequate housing. Through the socialized housing program, a systematic spatial, political, and economic displacement of the poor is institutionalized to facilitate private gain and commodify housing for ISFs.

Capitalizing on real estate developers' massive resources and expertise, and securing their profits, the state housing agency through PPPs facilitate economies of scale production of socialized housing and fulfil its mandate of shelter provision for the urban poor with greater efficiency. With the massive increase in state mortgages, private construction of socialized shelter on remote and low-valued resettlement sites was stimulated. Targeted low-income beneficiaries refuse to occupy these spaces due to limited access to livelihood and social services, and substandard and unsuitable units. The low occupation results in unit depreciation and amortization revenue losses. These are passed on to the poor beneficiaries through socialized housing mortgages and to the public through the wastage of taxes. In the entire relocation process, the targeted beneficiaries are denied their right to 'adequate' consultation and their choice to where and what kind of house to live in. Compelled to purchase socialized houses when faced with eviction, the poor are burdened with long-term amortizations as they carve out sustenance in sites distant from livelihood and social services.

This paper intervenes in the current housing and urban studies conversations in two ways. First, it responds to calls for "ethnographies of government" (McKee 2016; Li 2007)—investigation of neoliberal practices and technologies—to address tendencies within governmentality scholarship that assume a coherent politics and uncontested implementation (Brandy 2014; Parnell and Robinson 2012; Collier 2012) that leads to a "weak analysis" (Lewis 2009, 114) of its operations and economics. Second, it helps fill a gap in understanding housing situations in the developing countries, particularly in the South East Asian region, characterized with substantial livelihood

and habitation informality, and different levels of financialization and deregulation of the socialized housing market. Most analyses of the empty housing phenomenon center around the experiences of developed countries, particularly Europe (Palomera 2014), China (Zhou and Roland 2017; Woodworth and Wallace 2017), and the US (Rolnik 2010; National Coalition for the Homeless 2009). By focusing on the Philippine case, this paper contributes to a better understanding of urban governance within “actually existing neoliberalisms” (Brenner and Theodore 2002) in the South (Parnell and Robinson 2012; Shatkin 2011) and lays out specific technologies and trajectories of housing (Kitchin et al. 2012).

Analysis of the Philippine’s socialized housing crises is particularly instructive as the country was ahead in the Southeast Asian region in subscribing to liberalization, deregulation, and liberation policies (Bello et al. 2004). Celebrated to be among the first globally to explicitly recognize the poor’s right to housing, the country’s national housing code facilitated housing commodification within a larger process of the marketization of urban development and planning. With the presence of large slum populations, socialized housing provides a significant potential for elite accumulation.

In the subsequent sections, the moral hazard in housing is linked with the literature on biopolitical governance to highlight the spatial and political implications of the differential distribution of economic gains, costs, and risks. After presenting the Philippine situation, PPPs are analyzed to reveal how these resulted in the current empty socialized housing crisis. These are then contextualized within the long process of privatization and commodification of socialized housing.

This study is based on key informant interviews with state housing officials and urban poor advocates, reviews of relevant legal documents including proceedings of Congressional hearings, official audit reports, housing contracts and protocols, and national codes. It is supplemented with four years of ethnographic work with slum communities in Metro Manila.

MORAL HAZARD, HOUSING RIGHTS AND EMPTY HOUSING IN THE SOUTH

The rise of empty housing globally reveals the catastrophic consequences of the commodification and financialization of housing. Housing is

critical to sustaining capital accumulation (Harvey 1989). It absorbs increasing incomes and credit and is a critical infrastructure subsector for macroeconomic pump-priming (Aalbers and Christophers 2014). Instead of addressing unmet housing needs, the housing situation is exacerbated by the millions of empty homes—units unsold, abandoned or emptied with foreclosures and evictions—in the midst of millions of families suffering from the lack of adequate and secure housing.

After an initial boom of private shelter construction from the 1990s, the economic crises in the last decade resulted in the global rise of empty housing, a situation Moreno and Blanco (2014) call “wasted prosperity.” The massive increase in supply was a result of the policy shift from the public provision to privatization and commodification of housing (Rolnik 2013; Aalbers and Christophers 2014; Palomera 2014). Private housing production was facilitated with fiscal incentives, deregulation, financialization, and mortgage securitization (Rossi 2013; Aalbers 2007).

To generate effective demand, low-income classes, who previously benefitted from public housing, were reconstituted as home-owner consumer-investors. Homeownership was promoted as indispensable for family reproduction and security (Rolnik 2013; Kitchin et al. 2012; Saunders 1990). Poor families were afforded access to housing loans through the “socialization of credit” (Rossi 2013, 1068), an easing of mortgage to previously perceived high-risk creditors given their income insecurity. Financial institutions facilitated this access by offering high-risk subprime mortgages with high-interest (Moreno and Blanco 2014; Rolnik 2013; Aalbers 2007) where amortizations were to be repaid from a projected stream of increasing incomes drawn from a growing economy.

The empty housing phenomenon is considered a moral hazard arising from excessive credit, among other factors, within regimes of housing deregulation, financialization, and securitization (Stiglitz 2010). Moral hazard can result from asymmetric information, i.e. when parties in an economic transaction engage in risky behavior for profits causing a market failure, as they pass risk and loss to the party with insufficient information (Holmstrom 1979). Not only does the latter suffer an economic loss, her/his resources are used by the other party for gain (Hulsmann 2006). In the EU and US, massive lending to households of uncertain creditworthiness led to a surge of housing production and subprime mortgage-backed securities (MBS). These MBS were repackaged, sold, and resold for a fee that in turn fueled further surges

in housing supply. When the housing bubble burst, decreased incomes affected amortization defaults, reduced homeownership demand, and dried up speculative capital, resulting in empty housing. States brokered bailouts to save large financial institutions heavily invested in MBS trading from crashing and to prevent a further credit contraction and economic slowdown. Homeowners whose original mortgages were used for MBS trading were left holding huge debts and low-value properties. Critics argue that through the bailouts “spectacular profits are privatized, but spectacular losses are socialized” (Read 2009, 98; Stiglitz 2010).

Following the adoption of neoliberal policies on housing, developing countries are not spared from the crisis of empty housing, as Moreno and Blanco (2014) tabulate. India’s 15.8 million empty homes can house more than half of its unmet housing needs. Chile records 424,000 unoccupied dwellings representing about a tenth of its total housing supply. Brazil has 6.1 million empty units, corresponding to 9.02 percent of available shelter. In Egypt and China, some cities are almost empty. This rise of empty housing in developing countries calls for better attendance to the moral hazard within actually existing housing governance in the South.

Linking moral hazard analyses with biopolitical scholarship highlights two critical facets of empty housing in the South. First are information asymmetry and the differential distribution of gains and losses. Increasing mortgage access to poor families can result in an increase in housing supply, facilitate private contractor’s gain, and socialize costs and risks. Information asymmetry may include construction standards, site conditions, and amortization terms. Second is the constraint on the poor’s choices as homeowner consumers and the non-cognizance of their right to the city. When housing is commodified, the right to choose where and how to live, and who can choose, is defined more by the sufficiency of income (Dufty-Jones 2016) rather than family needs and livelihood access.

Moral hazard analyses of empty housing implicitly assume the necessary liberties of transacting parties to enter into a contract, as these are drawn mostly from the experiences of highly deregulated and financialized economies. Here, brokers and homeowners are ‘free’ to enter into a mortgage contract with traders in the securities markets relatively unhampered in their transactions. As long as homeowners are at ‘liberty’ to enter into contracts, and have sufficient information and income, the market may facilitate a spatial distribution where housing choice incorporates access to livelihood and social service considerations.

However, the moral hazard in socialized housing can manifest as state-sponsored spatial, political, and economic dislocation of the poor. Capital moves into spaces where ‘rent gaps’ and potential profits are high (Smith 1987). In the South, these high-value spaces include slums inhabited by poor workers unable to afford formal housing. The relocation of slum dwellers frees high-valued slum spaces for gentrification and elite-accumulation (Lees 2012). Without sufficient income, slum dwellers are often compelled to access state-backed mortgages for purchasing privately produced socialized housing. Most resettlement sites affordable to the poor are in remote and off-city locations given high land prices at the metro core. Under these conditions, the relocation mortgage is paid for by pawning urban poor futures in unlivable resettlements with limited access to social services and livelihood (Rolnik 2013).

Within commodified regimes and with massive livelihood informality, socialized housing privatizes gain, and concentrates the poor and their futures in ‘spaces of disadvantage’ (Flint 2002) through credit (Soederberg 2015). This situation, when poor people’s lives and their futures are reduced to a bare minimum and are subsumed under circuits of capital accumulation through financialization, is a “biopolitical crisis” (Rossi 2013). It is reflective of the programmatic authoritarianism and dispossessions that co-constitute the marketization of social services for elite accumulation within neoliberal governance (Harvey 2003; Mahmud 2010; Dean 2012).

Mexico’s 5 million empty homes in 2010 (Infonavit 2011) illustrates how moral hazard in housing resulted in the spatial and economic dislocation of the poor in the South. The number of empty units is enough to meet more than half of Mexico’s unmet housing needs (Aguilera 2017). Dreaming to own their own homes, some 20 million Mexican working class poor accessed inflation-adjusted state-backed mortgages amounting to over USD 100 billion to purchase privately supplied remote off-city housing, under PPPs that reaped huge profits for some private contractors and housing financiers (Soederberg 2015). Within short periods of occupation, the units and subdivisions revealed substandard construction—fire-hazard electrical wiring, poor structural integrity, collapsing drainage, flood-prone sites, and sinking roads (Marosi 2017). When the 2008 US crisis spread to its borders, Mexico’s inflation drastically increased amortization rates forcing massive defaults, foreclosures, and abandonment. Homeowners claimed they were not adequately informed of the inflation-adjusted

rates and inferior settlement conditions. They are now trapped with burgeoning amortizations, and deteriorating homes in sites distant from livelihood and social services. Despite the protests of the homeowners, no government agency is being held accountable amid allegations of corruption for these “rapidly decaying slums” (Marosi 2017).

The Philippine case is largely similar to Mexico with the exception that the escalating moral hazard problem in the Philippine socialized housing program is resolved by the state’s curtailment on the urban poor’s right to the city. While the Mexican poor working class was enticed with the promise of homeownership through asymmetric information on housing conditions and supposed affordable mortgage terms, the Filipino urban poor is compelled by the state, sometimes violently (Ortega 2016b), to live in remote resettlement often without choice and adequate consultation. The Philippine housing market is essentially deregulated, privatized, and financialized with mortgages of non-poor tiers recently securitized. State regulations remain stringent to socialized housing segments to encourage private sector participation given long return periods and high risks of default.

Existing research related to Philippine housing focus on macro tendencies of economic accumulation and dispossession, spatial segregation and urban planning privatization (Ortega 2016a, 2016b; Shatkin 2008; Choi 2014), supply side and financial constraints (Ballesteros 2005, 2009, 2011; Ballesteros and Llanto 2015), and community-mortgage (Cancio 2009) or alternative tenurial arrangements (Karaos 2012). Except for Egana and Ballesteros (2013) who earlier noted the moral hazard in site selection, these studies leave unattended the differential distribution for gains and costs in socialized housing practices and their effects on neoliberal urban governance, particularly in the proliferation of current empty socialized housing, and on the urban poor’s right to the city. These practices connect everyday grassroots struggles with macro-policies on neoliberal urbanization and exclusion and are thus critical avenues for subaltern struggles.

THE STATE OF HOUSING FOR THE FILIPINO POOR

There is a huge housing backlog particularly for low-income Filipino families who are forced to live in slums. In the 1990s, 16.5 million Filipinos, 54 percent of families in urban areas, were slum dwellers. By 2014, 17 million were still living in slums (UN 2015) despite state

socialized housing programs.

In terms of physical shelter, the Housing and Urban Development Coordinating Council (HUDCC) estimates that in 2016 the accumulated housing need was 2.02 million. A huge portion of this need (for 800,000 units) is unacceptable housing which includes homes of families living rent-free without owner consent, needs of the homeless, and dilapidated, makeshift or condemned marginal housing (NEDA 2017). The Social Housing Developers Association, Inc. (SHDA) (2013)—the largest organization of socialized housing contractors—estimates that 38 percent of the housing deficit in 2011 was from the socialized housing tier, and by 2030 almost half of the new housing needs will be in this category.

To address this serious shortage, the current Duterte administration plans to deliver housing assistance to almost 1.56 million households by 2022 (NEDA 2017) as a part of the massive ‘Build, build, build’ infrastructure program to propel economic growth and attract investment. According to its website, the NHA will be producing 835,203 shelters for ISFs (333,078 units), low-salaried armed forces and police personnel (42,000 units), and calamity victims (378,612 units). Through such huge housing production, the proportion of Filipino urban slum dwellers is to be drastically reduced from 38.3 percent in 2014 to 22 percent in 2022.

The NHA is a government-owned and controlled corporation designated as the sole agency to “engage in shelter production focusing on the housing needs of the lowest 30 percent of urban income-earners”² within a larger mandate of developing and implementing a “comprehensive and integrated housing program” following Presidential Decree (PD) 757. It is tasked to engage in “fast-tracking the determination and development of government lands suitable for housing; and ensuring the sustainability of socialized housing funds by improving its collection efficiency, among others.”³ However, there is a mismatch between the social housing program vis-à-vis income capacities of targeted beneficiaries.

Socialized housing has an all-inclusive maximum price of PhP 450,000 per unit.⁴ Targeted families do not have the necessary income to afford these houses.⁵ Vice-President (VP) Maria Leonora Robredo admitted that the poor cannot afford socialized housing without sufficient subsidies (HUDCC 2016). To solve this financial incongruity, NHA offers subsidized loans for purchasing lower-priced units built on remote sites with low land costs.

Beneficiaries	Funding Allocation (Billions PhP)	Target
AFP/PNP	20.87	68,689
ISF	32.26	108,265
Yolanda-survivors	59.77	205,128
Total	112.9	382,082

Table 1. Funding, rates of completion, and occupation of NHA Resettlement as of 2016.

PRODUCING EMPTY HOUSES FOR THE POOR

In the last five years, the Philippine housing crisis was exacerbated by the production of more than a hundred thousand socialized housing units that targeted beneficiaries refused to occupy. Financed with billions of state funds, these empty units can provide homes for approximately 15 percent of the poor families living in unacceptable housing.

Three major funding allotments on socialized housing for ISFs, police and military, and Yolanda typhoon survivors were made by the administration of former President Benigno Aquino III. Triggered by a 2008 Supreme Court mandamus ordering the clean-up of Manila Bay, the housing program for ISFs living along danger areas aimed to relocate 104,000 families using PhP 50 billion. In its operational guidelines, ISFs not situated on waterways were included. While the fund was originally negotiated by Urban Poor Alliance for onsite upgrading or near-city relocation, the bulk of the funds eventually ended with NHA which promptly began construction of 18 new resettlements outside Metro Manila. In 2011, through Administrative Order No. 9, President Aquino directed the NHA to provide permanent housing to low-salaried Philippine National Police (PNP) and Armed Forces of the Philippines (AFP) personnel within five years following “acceptable standards of decent and livable housing.” In August 2014, the Typhoon Yolanda Housing Program was implemented to build disaster-resilient resettlement houses for typhoon survivors in 171 typhoon-hit cities and municipalities; and in 2017 President Duterte announced that the Yolanda housing will be of no cost to the homeowners (Ranada 2017).

The influx of state funds into socialized housing came at the time of increasing economic growth, excess state liquidity, and underspending

Completed	Occupied (%)	Unoccupied (%)
62,472	7,143 (11.43%)	55,329 (88.57%)
85,342	57,410 (67.27%)	27,932 (32.73%)
42,599	11,451 (26.8%)	31,148 (73.1%)
190,413	76,004 (39.91%)	114,409 (60.08%)

(Lim 2015). Excess liquidity is recognized as a necessary ingredient for the financialization of housing (Fernandez and Aalbers 2017). To speed up public spending and boost economic growth, state savings and unprogrammed funds were rechanneled by the Aquino administration to high-impact projects including socialized housing.⁶

A total of PhP 112.9 billion of these state mortgages was appropriated to the NHA from 2011 to 2016. This presents a huge increase in the NHA resettlement fund of PhP 5.6 billion from 2007 to 2011 (Ballesteros and Egana 2013). Based on the COA reports from 2011 to 2016, NHA paid a total of PhP 55.3 billion to contractors⁷ and disbursed PhP 12.7 billion for AFP/PNP housing. With these funds, 382,082 units were targeted and 190,413 were completed. More than 60 percent of completed units, numbering to some 114,000 are empty. Based on the COA report for 2016, table 1 summarizes the NHA's funding allocation and distribution of completed and unoccupied socialized housing for the three programs.

Highest rates of non-occupation were registered for units allocated to the AFP/PNP and Yolanda survivors. The significant percentage difference in occupation rates between these beneficiaries and ISFs may be explained by the latter being subjected to forced evictions and demolitions, leaving them little to no choice but to transfer to NHA relocation sites.

Remote and unlivable sites, substandard and unsuitable housing units, and the lack of consultation with beneficiaries were specified reasons for the low occupation of the AFP/PNP housing.⁸ During the Congressional hearing in April, even the NHA General Manager admitted that “in so far as the PNP/AFP housing [is concerned,] there is failure . . . as evidenced by the low occupancy . . . non-conformity, non-adherence to the standards . . . if I were a police officer or an AFP personnel, I would also not transfer to those places.” Details from the

hearing among the PNP/AFP confirmed the urban poor relocatees' long-standing complaints: remote sites, substandard construction, livelihood constraints, inaccessibility of affordable clean water and electricity, lack of security, insufficient living space, high transportation cost, and no beneficiary consultation. Even the Commission on Audit (COA) and the Office of the VP validated these complaints (Sarmiento 2016).

In response to Occupy Bulacan and to address the low occupation rates, the NHA declared during the said Congressional hearing that it will require developers to “retrofit the housing units, immediately install power and water facilities, construct a guard house,” and closely coordinate with the AFP/PNP Housing Boards on site selection. The NHA also agreed to double the floor and land area for the AFP/ PNP Housing Program following a Presidential directive (ABS-CBN 2017a).

Low occupancy results in massive economic losses—rapid unit deterioration, amortization revenue losses, and a waste of taxpayers' money. One mayor called the socialized housing “white elephants” (Mayrina 2017)—possessions that are difficult to dispose of and whose maintenance costs outweigh their usefulness.⁹ Through its annual audit reports from 2014, COA repeatedly reminded the NHA to address the low occupation and prevent losses which can be used to construct additional housing units. Uncollected amortizations worsened the already burgeoning receivables and low-collection efficiency of the housing agency.¹⁰ Despite reminders, occupation rates for PNP/AFP units¹¹ increased from 9.1 percent in 2015 to only 11.43 percent in 2016 prompting COA to underscore that the NHA failed to perform its mandate.

SOCIALIZED HOUSING PRACTICES IN THE PHILIPPINES

Socialized housing practices result in the production of empty off-city socialized housing despite the government's own economic think-tank disclosing that off-city resettlement is less cost-effective compared to in-city housing in the long-run, considering welfare benefits and social service provisions (Ballesteros 2011; Ballesteros and Llanto 2015). These practices require constraining the poor's right to adequate information, livelihood and housing despite the constitutionally-

mandated “adequate consultation.” In the Urban Development and Housing Act (UDHA), consultation is defined as the process for the affected public to “participate in the decision-making process on matters involving the protection and promotion of their legitimate collective interest.”

UNSUSTAINABLE SHELTER PRODUCTION AS HOUSING AGENCY ACCOMPLISHMENT

Given its mandate of shelter production for the poor, the NHA views the number of completed housing as a primary accomplishment in its annual reports (NEDA 2017) and presentations, without serious regard to sustainability and livability. It does not consider persistent low amortization collection and low occupancy as indicators of the general unfeasibility of current social housing projects. Nor does the NHA significantly problematize high attrition rates (WB 2016) and the renting and re-selling of units in relocation sites (PCUP 2017). These issues prompted VP Robredo as head of the HUDCC to recommend the suspension of the government’s resettlement program (Reyes-Estope 2016).

The NHA burdens the targeted beneficiaries for the low-occupancy rates. It perceives less volunteerism, democratic consultation, and community planning among beneficiaries, that is, more efficient eviction and relocation as a solution to the empty socialized housing crisis. In its flowchart on resettlement, targeted urban poor communities, regardless of whether they accept or decline, end up in resettlement sites (Ballesteros and Egana 2013). With completed housing in remote relocation as the primary mode of resettlement, little room is left for adequate consultation where affected families can identify alternative housing arrangements. The NHA also cited “slow/non-submission of pre-qualification documents by ISFs despite follow up, [and the] refusal of some ISF to dismantle because of their alleged ‘People’s Plan’”¹² as issues and factors affecting program implementation during the Senate hearing. In its presentation to the PCUP’s National Housing Summit in 2016 the agency noted that one of the “issues/factors affecting program implementation . . . [is] voluntary relocation of ISFs . . . resulting to low-occupancy.” If targeted ISF beneficiaries can be efficiently compelled to transfer, it will resolve low occupancy rates for the NHA.

SELECTING ‘UNLIVABLE’ RESETTLEMENT SITES

The significant increase in inaccessible resettlement areas built on institutionalized site selection practices reflects market valuation of urban land. Beginning in 2004, driven by large government infrastructures requiring the relocation of a huge number of ISFs within a definitive timeline, the dominant mode of socialized housing production shifted to a developer-constructed approach for a completed housing project (CHP). This steered previous PPPs of different modalities to rely more on private contractors on shelter production, with the agency purchasing developed lots and completed housing units (Ballesteros 2005) and functioning as a regulatory body and mortgage provider. Within this arrangement, the agency accredits private contractors after supposedly assessing work history and financial capacity, to build socialized housing within the price ceiling following technical specifications and environmental site suitability.

Following Housing and Land Use Regulatory Board socialized housing resettlement site regulations requiring “financial feasibility and viability where land valuation offered is low,” contractors select remote sites to lower land costs and increase profits. While LGUs may offer resettlement sites to NHA, contractors’ network of real estate agents facilitated site identification and consolidation. Consequently, this results in most NHA resettlement sites being located in areas far from the city, particularly those for ISFs in Metro Manila (Failon 2018; Ballesteros and Egana 2013).¹³ These sites have limited access to livelihood, transportation and social services, and precisely for these reasons are unattractive to the higher-tier housing market.

Yet the same regulation requires affordability of transportation and “to [an] extent feasible” livelihood availability. This seemingly contradictory prescription on site selection—low-value land yet with livelihood opportunities and access to affordable transportation—is resolved by NHA practices that consider less the latter factors critical for the poor to survive. The site is deemed suitable as long as the contractor follows technical and environmental specifications. NHA Memorandum-Circular 2015-0015 on Guidelines for Site Selection, Site Suitability, and Site Planning of NHA Housing Development Projects specifies that sites “should be able to link” with public infrastructures and existing and “proposed”

transportation and “as much as possible be near or accessible to” the major sources of employment (4–5). The minimum site suitability criteria is a clean title, flat or rolling slope, environmentally suitable and zoned for residential development, and accessible through a standard right of way (Ballesteros and Egana 2013). This is also contained in the NHA Terms of Reference for the Procurement of Fully Developed Lots and completed housing units under the NHA’s Yolanda Permanent Housing Program. Neither sufficient assessment nor operationalization is made on actual site economic potential, employment capacity (Ballesteros and Egana 2013), and access to social services and transportation.¹⁴

The sudden influx of poor relocatees necessarily burdens the receiving local government units (LGU) beyond its capacity for social service provisions. As the sites are located in peri-urban areas, the receiving LGUs are often low-income class municipalities dependent on internal revenue allotments from the national government for the supply of healthcare, education, transportation, and security services. In some instances, the sending LGU provides meager financial assistance for their relocated constituents. Such agreements are, however, not institutionalized (Ballesteros and Egana 2013).

Targeted beneficiaries have little say in site selection. Targeted ISF communities for eviction are often made to choose from a menu of mostly off-city relocation. Three signed attendance sheets are usually considered sufficient evidence of adequate consultation regardless of agenda and agreements in the said meetings. Consultation is reduced to information and offering of relocation (Urban Poor Associates & St. Thomas Moore Law Center 2014).

Studies have established that transferring to these relocation sites, whether voluntary or forced, results in displacement for the poor¹⁵ (Ortega 2016a; Institute for Popular Democracy 2009), greater food insecurity, reduction in health spending, and higher rates of dropouts of children of families relocated to off-city sites (Ballesteros and Llanto 2015). In 2016, HUDCC noted that more than half of ISF in relocation sites do not have adequate access to water and electricity (Ordinario 2016). High petty crime rates are also reported in several relocation sites (Moya 2013; Ballesteros and Egana 2013). In the words of protesting ISF organizations, “They have moved us from ‘danger zones’ to ‘death zones’” (Racelis 2016, 149).

SCALING UP THE PRODUCTION OF 'SUBSTANDARD' AND 'UNSUITABLE' HOUSING

NHA housing protocols combined with private contractors' extensive resources enabled the social housing production within short periods. (Ballesteros and Egana 2013). Labor subcontracting (Failon 2018) and familiarity with affordable sources of construction materials ensure input availability at lower costs.

To facilitate the mass production at low costs, the NHA adopted a standard and uniform unit design¹⁶ to build the most number of houses in a resettlement site. This overlooks the needs of the resettled families (Corrasco et al. 2016) and explains why beneficiaries are not given an opportunity to have a say in the design. Uniform units are assigned regardless of family size and gender distribution (mothers usually ask for a separate room for the daughters).

As contractors may scrimp and save on construction costs to increase profits, the NHA must ensure that all sites and housing units adhere to building standards. It has supervisory and approval functions in every development phase from site preparation to housing construction. It reviews and approves all plans, evaluates completed house and lot units, and subdivision facilities, and may, if found unacceptable, reject housing units and charge damages, or even take over the project for failure to complete works within the specified contract time (NHA TOR for Yolanda Permanent Housing Program). A progress payment schedule is usually followed where contractors are partially paid upon compliance of protocols per phase. Any substandard construction can therefore be corrected before the next construction phase begins.

Despite these stringent protocols, the agency is hounded with issues of substandard construction leading to allegations of mismanagement, negligence and corruption (Failon 2018). There is widespread assertion among urban poor groups, the VP, media and several Congressmen that resettlement units are substandard (Mundo 2010; Sarmiento 2016)—cracking walls, road subsidence, flood-prone sites, suboptimal cement mixtures, missing reinforcing steel bars, etc. (Failon 2018). In September 2017, the filing of estafa and plunder charges were recommended against an NHA-accredited private contractor for “misusing billions of pesos” (*Manila Times*, September 6, 2017) in building, what Congressman Benitez calls, the “glaring substandard” construction of Yolanda housing compelling

the NHA to terminate said contract (Cruz 201). In 2018, at least 46 'defective' Yolanda housing contracts are facing cancellation (Gascon 2018). Mayors, senators, and congress representatives are calling for a thorough investigation (Failon 2018).

No protocol is in place for beneficiaries to determine adherence to construction standards and housing design specifications. Upon occupation of a unit, beneficiaries are required to sign an NHA Ocular Inspection and Acceptance of Completed Housing document which certifies that the unit construction "is satisfactorily complete." I witnessed in several instances how this document was signed even before the beneficiaries saw the assigned unit. Unit engineering and subdivision plans are not presented. No adequate inspection takes place. Despite 'construction defects,' many of these socialized housing units are deemed compliant with housing regulations by the NHA (Failon 2018) and are bought at full cost, which in turn are offered for amortization to poor families.

SOCIALIZED HOUSING MORTGAGE: SOCIALIZING COSTS AND RISKS

Profits are privatized and risks and costs socialized through the socialized housing mortgage contracts. The costs and risks of substandard construction, non-occupation, and asset deterioration are primarily passed on to poor consumer-beneficiaries with corresponding penalties on payment delinquency. Private contractors are not only shielded from these risks and costs, but are also provided with a continuous stream of potential additional profits from utility retailing.

Substandard construction and asset deterioration resulting from low occupation are not reflected in the mortgage value. Upon transfer to the relocation site, beneficiaries must acquire a loan as payment to the contractor which is to be paid for 30 years following a graduated amortization schedule. The housing component of the loan has a Php 35,000 subsidy, with the remainder for land development subject to a fixed 6 percent per annum interest payment from the sixth to the thirtieth year.¹⁷ Regardless of the conditions of the units, roads, drainage and other facilities, the amortization outlays remain contingent on the full socialized housing unit cost.

The loan contract also contains penalties and expulsion provisions against delinquent payers that legally protect the NHA from risks

of non-recovery of asset value. It retains legal ownership until full payment making foreclosure possible.¹⁸ Amortization default for three consecutive months, violation of unit use prescriptions, and subleasing are grounds for automatic contract cancellation. While the amortization collection is delayed for a year, the foreclosure and unit-use provisions reflect the agency's emphasis on revenue collection from the selling of the socialized housing stock rather than helping ease the difficult adjustment of displaced families and ensuring integration into resettlement communities.

Moreover, contractors are provided an opportunity to charge profit from utility retailing in the first few years. Due to the difficulty in accessing individual electric and water unit connections with providers, utility is often bought in bulk and then resold to individually relocated households allowing some contractors an opportunity for charging profits. Significantly higher water and electricity rates (where available) are charged in resettlement sites (PCUP 2016) despite the legal prescription in UDHA that basic services in relocation sites should be "provided at the most cost-efficient rates."

Through the subsidized socialized housing mortgage, the relocated poor families and the Filipino taxpayers bear the cost of low occupation, asset deterioration and substandard construction. When units remain vacant, taxes are channeled into unused, unsuitable and wasted housing infrastructures. When occupied, the poor beneficiaries pay for any substandard construction and depreciation due to non-occupation, and the taxpayers shoulder the direct subsidies, uncollected arrears, and costs of low amortization payment. Contractors are guaranteed payment and profit and are provided with additional rents from utility retailing. The NHA in turn projects increased shelter production as an agency accomplishment.

COMMODIFICATION, PRIVATIZATION AND EMPTY SOCIALIZED HOUSING

The institutionalization of the moral hazard is a consequence of the commodification and privatization of socialized housing that began in 1975 with the creation of the NHA. Two interrelated arguments are discussed: first, urban poverty is reduced to a shelter need, consequently constructing the urban poor as ISFs; and second, shelter is detached from access to livelihood and urban development.

In its inception, the NHA was specifically tasked to “harness and promote private participation in housing ventures” (PD 757, 2). It developed joint venture schemes with the private sector using different resource and risk sharing modalities. By 1986, under a new administration, the agency was mandated to be the sole agency for shelter provisions to the poorest 30 percent of urban residents. In 1992, the UDHA, a landmark legislation, was passed recognizing the poor people’s right to housing. This same law however codified privatization and financialization of socialized housing.

UDHA provides for a continuing program of equitable urban land reform and housing “in cooperation with the private sector” which will make available decent housing at affordable costs, basic services, and employment opportunities to the underprivileged and homeless citizens in urban centers and resettlement areas. Incentives were laid out for the entry of the private sector, particularly in shelter financing and production. This represented a paradigm shift “[f]rom a highly centralized and heavily subsidized policy . . . to a market-oriented and participative approach to housing” (Ballesteros 2009, 1).

UDHA is located within the broader National Shelter Program (NSP) and the entire housing finance infrastructure. The NSP is a comprehensive state response to the poor’s housing need and rests on: reliance on a beneficiary capacity with minimal government assistance; private sector participation; and the government as an enabler (Llanto and Orbeta 2001). Subsequent legislation after the UDHA, particularly, the 1994 Comprehensive and Integrated Shelter Financing Act (CISFA) established the funding for key UDHA programs, including the development of capital markets for housing finance institutions.¹⁹ CISFA sought to minimize the risks, costs, and capital flow constraints of private housing production (Ballesteros 2011) and thus enabled government rollback from the direct provision of social housing.

With UDHA and NSP, urban poverty was made practicable by reducing it to the lack of formal housing tenure and consequently defining the urban poor as those who need formal housing—informal settler families. While recognizing the complex interrelation of livelihood and habitation, the implementation of UDHA focused on improvements in the physical aspects and legal tenure of housing, as reflected in NHA’s mandate of shelter production. In this manner, the problematization of sustainable livelihood and access to social services that make possible urban poor engagement as “responsible” consumers of housing was sidelined.

This focus on secure shelter facilitated the disregard of the UDHA provisions for equitable urban land distribution. Although affordable housing was declared as a guiding principle, no implementing rules and regulations on urban land distribution for poverty reduction and equitable development were laid down to make these accessible to the poor. Rather, the UDHA provision for the rational and optimal use of urban land and resources underpinned the highest and best use framework dominant in urban planning, which Serote (personal interview August 5, 2014) noted is operationalized as land use yielding the highest returns.

This delinking of shelter needs from access to livelihood, social services, and equitable urban development, and the reduction of urban poverty to the lack of tenured shelter engendered the ‘progressive dematerialization and deterritorialization’ of housing (Weber 2002). Housing ceased to be considered as an infrastructure built where families and communities can prosper. Rather, it became a commodity, like any other commodity, that is produced in suitable sites and sold as swiftly as possible to maximize profits. And the urban poor are necessarily considered potential homeowner consumers—ISFs demanding formal shelter. Further, these PPPs effectively reduce turnover periods for housing investments as private contractors source payments from state purchases not from homeowners’ long-term mortgage collection. Thus, socialized housing was made “more flexible and responsive to the investment criteria of real-estate capital” (Weber 2002, 520).

Without accompanying reforms to increase the economic capacity of ISFs, these supply side interventions—commodification of shelter, privatization of production and provision of financing incentives—combined with increased access to state-mortgages resulted in an increased housing supply, real estate profits, and the spatial displacement of the poor. Socialized housing is produced in remote and low-value sites given appreciating land values driven by urbanization pressures, foreign capital investment, and real estate demand (Ortega 2016b) facilitated by a marketized urban planning framework. This is the economically feasible option (Ballesteros and Llanto 2015) despite the UDHA prioritization of on-site development as highlighted by the HLURB Guidelines for the Inventory and Identification of Lands and Sites for Socialized Housing released as early as 1992.

As they cannot afford in-city resettlement—without sufficient income-based subsidies (Shatkin 2004)—and given the inaccessibility

of livelihood and social services arising from the use of marginal land, the poor will find creative ways to resist relocation in off-city resettlement sites. Thus, even if the alleged NHA mismanagement, negligence and corruption—often cited as the causes for substandard construction (Failon 2018)—are arrested, the moral hazard in socialized housing, in terms of the production of units in locations unlivable by the poor, will remain.

Indeed, urban poor groups maximize the progressive provisions in UDHA—recognition of the poor’s right to housing and provisions on adequate consultation, prioritization of on-site development, and “just and humane” evictions and demolitions—to resist transfer into remote off-city relocations. And advocacies towards the promotion and protection of the right to live in the city have been advanced by urban poor advocates underscoring that the “government’s preferred approach of prioritizing housing production and highly subsidizing its cost simply addresses the symptoms and not the root causes of why the housing system fails” (WB 2016, 14). Necessary policy reforms at the housing agency level include institutionalization of genuine community participation in site selection, unit design and construction standards reflected by the people’s planning concept. At the policy level, a conceptual reformulation of housing from secure shelter as a commodity to a place for home and community building founded on the recognition of the interrelatedness of the right to habitation, livelihood and development is called for. This requires the provision of well-targeted income-based subsidies for community-based on-site slum upgrading or near site socialized housing and a moratorium on off-city relocation in the short-term, and locating housing within a comprehensive poverty-alleviation and inclusive urban land reform and development program in the long-term.

SOCIALIZED HOUSING AS TECHNOLOGY FOR ACCUMULATION AND DISPOSSESSION IN THE URBAN SOUTH

The recent illegal occupation of unoccupied relocation sites exposed the dual nature of the housing crises in the Philippines—the continued construction of tens of thousands of empty socialized units amid huge unmet needs of urban poor and homeless Filipinos. This paper analyzed how current PPPs in socialized shelters that resulted in empty

housing facilitates contractors' profit and strengthens the housing agency's neoliberal mandate, and socializes losses to the public and the poor. It further discussed how the institutionalization of moral hazard is contingent on and resolved by curtailing access to information, democratic participation, housing, and spatial rights of the poor.

This lends support to urban scholars writing about the Philippine situation who argue that the privatization of urban planning (Shatkin 2008) and gentrification are resulting in the systematic spatial and economic dislocation of the urban poor (Ortega 2016a, 2016b; Choi 2014). Through the government's socialized housing program, real estate capital accumulation is facilitated on marginal spaces where it normally will not penetrate and prosper. And, the eviction of slum dwellers from high-priced slum land is made easier as local governments can comply with less difficulty the 'eviction with adequate relocation' provision, given the availability and scale production of resettlement sites, to free up market values and facilitate elite-capture of the rent gap.

The practice of privatizing gain and nationalizing costs follows earlier elite accumulation strategies (De Dios and Hutchcroft 2003; Bello et al. 2004) as early as the 1950s. In socialized housing, however, the costs are not borne equally by the public, but mostly by the poor—an economic warfare against those occupying spaces of informality (Roy 2005) where subaltern futures are pawned to scour for subsistence on sites bare of livelihood and social services (Rossi 2013). Without radical housing reforms, the current Duterte administration is bound to strengthen the neoliberal warfare against slum dwellers to free high-value slum land for its massive infrastructure programs. If these practices and policies are continued, the resolution of the moral hazard, that is the minimization of the state economic losses resulting from the low occupation, is the efficient coercion of the ISFs to occupy remote relocation sites and stringent disciplining in mortgage amortization payments.

The Philippine socialized housing case describes how real estate capital accumulation co-constitutes and strengthens neoliberal urban governance. With immense livelihood informality and huge slum populations in Southern countries, socialized housing is a critical neoliberal technology where surplus populations are transformed into consumers for credit-led accumulation (Soederberg 2014) and slum communities torn down for gentrification (Roy 2005). Even in situations not fully financialized and deregulated, empty socialized

housing can occur to absorb excess state liquidity for macroeconomic pump-priming (Aalbers and Christophers 2014) and create new avenues for profitable investments. By displacing the poor from places of livelihood and habitation to marginal spaces, the ‘spatial fix’ (Harvey 1982) of neoliberal urban development materializes through socialized housing where the right to the city is reconfigured as consumer-investments that systematically cause subaltern dispossession (Rogers and Darcy 2014).

In demanding the rechanneling of profits back into the relocation community, preventing the dislocation into unlivable resettlement of urban poor families in the metro core, and occupying deteriorating houses, participants of the Occupy Bulacan resolved the moral hazard and resisted the neoliberalization of socialized housing. With the scale of the empty housing crisis, Occupy Bulacan may inspire the rise of a radical anti-neoliberal urban poor occupation movement in the Philippines.

NOTES

- 1 The paper benefitted greatly from the comments of Dr. Mary Racelis, Prof. Fatima Castillo and the two referees. It was partially supported by the Japan Society for the Promotion of Science RONPAKU Program.
- 2 Office of the Philippine President. 1986. Executive Order 90: Identifying the Government agencies essential for the National Shelter Program and defining their mandates, creating the housing and urban development coordinating council, rationalizing funding sources and lending mechanisms for home mortgages and for other purposes.
- 3 Office of the Philippine President. 1999. Executive Order 195. Re-directing the functions and operations of the housing and urban development coordinating council and all housing agencies.
- 4 Based on the HUDCC Memorandum Circular No. 1 Series of 2013 on Socialized housing price ceiling adjustment. This amount covers land acquisition and preparation, site development and unit construction.
- 5 Using 2008 socialized housing price ceiling of PhP 400,000, the SHDA (2013) estimates that at least an annual income of PhP 78,000 is required for a household to afford amortization. Yet based on available 2006 and 2009 government data close to 2008, the targeted poor Filipino families do not have this income. Up to about 40 percent of the poorest Filipinos in 2006 do not have an annual income of PhP 78,000. In 2009, the bottom 30 percent poorest Filipinos, the target beneficiaries of social housing program, registered an average annual income of only PhP 62,000, 20 percent short of the needed minimum annual income. In the same years, the savings rate of the bottom 30 percent was negative to zero raising questions as to their capacity to meet amortization payments, even when dislocation costs and increased transportation are not factored in.
- 6 In the last decade, the country registered impressive growth, which is mostly driven by overseas remittances, real estate construction and ICT industries. From 2011 to 2016, the total underspending net of interest payment is a whopping PhP 1 trillion, said current Budget Secretary Diokno (2016). He called the underspending “serious” (Mariano 2016) and caused significant losses in economic opportunities in infrastructure development and employment generation.
- 7 Payment to contractors includes other contractors not working on the said three programs.

- 8 AFP/PNP representatives declared that they were never consulted on the site selection and housing design. As the units were small and isolated, Lt. Col. Yanson of the AFP Housing Board explained that most beneficiaries wanted to improve the units and were awaiting further developments in the site vicinity (ABS-CBN 2017b).
- 9 Local government officials and COA in its 2016 annual agency audit report noted the unit deterioration (Esconde 2017). Senator JV Ejercito convened through Resolution No. 332 to “prevent wastage of public funds and properties” the Senate Committee on Urban Planning, Housing and Resettlement to conduct an inquiry, in aid of legislation, on the alleged unoccupied socialized housing units built by the NHA with the end view of crafting laws, rules and regulations for effective and efficient socialized housing programs for the marginalized sector.
- 10 By 2016, the NHA had PhP 8.3 billion peso receivables. Three-fourths of this amount was past due for over five years, and about PhP 5 billion came from housing beneficiaries alone (COA 2016). A similar pattern is also seen in earlier major NHA relocation projects: Dagat-dagatan Development Project has a collection efficiency rate of only 17.15 percent (COA 2016); and in the North and South Rail resettlement sites, collection performance is less than 50 percent of the target amount (Ballesteros and Egana 2013). An NHA resettlement head in the north of Manila revealed to the author a collection rate of around 20 percent in 2014, if they were “fortunate.” These receivables do not include potential amortization collectibles from empty socialized houses whose beneficiaries have not signed a loan take-out.
- 11 NHA Presentation to the Congressional Committee on Urban Planning, Housing and Resettlement Hearing on Low-occupation of Socialized Housing on April 18, 2017.
- 12 The people’s plan is the output of a bottoms-up approach where slum dwellers, with the assistance of NGOs and the government, collectively plan and implement their own on-site upgrading or near-site resettlement as an alternative to NHA’s off-city projects.
- 13 NHA reports the same in its presentation to the National Housing Summit on October 29, 2016.
- 14 In the earlier North Rail Relocation project, NHA specified that resettlements need to be within a 5-km radius of existing transportation and social services.
- 15 In a World Bank social impact monitoring study mentioned by Ballesteros and Llanto (2015), relocated households in off city sites have 30 percent less income and 41 percent fewer expenditures compared to their in-city relocated counterparts.
- 16 Following minimum National Building Code standards, the NHA designed row-house units with a minimum floor area of 22 m², and a lot area of 40 m². The height was recently increased to 5.0 to 5.5 m provide for a loftable unit.
- 17 According to the 2014 NHA Loan Agreement with Partial Assignment of Proceeds, the PhP 175,000 loan is divided into two components—PhP 75,000 for unit construction which has a PhP 35,000 subsidy and PhP 100,000 for land preparation. As of 2018, the newly-constructed NHA houses have a price of PhP 290,000.
- 18 Failure to make a payment every fifth of the month is subject to a 0.5 to 1 percent penalty of the amount due. Based on the NHA Loan Agreement, delinquent payors can be expelled and all accumulated amortization payments forfeited as rent (COA 2016). The NHA does not strictly enforce foreclosures due to relocatees’ resistance. This, however, results in decreasing revenue streams which are losses of public funds.
- 19 On the supply side, the support to shelter contractors included a combination of preferential (below-market) interest rates and indirect subsidies such as cash flow guarantees in case of loan default, tax breaks, and liquidity support. Efforts are underway for the further development of secondary mortgage markets as these were delayed by the Asian financial crisis and are currently limited to upper economic tier housing (Ballesteros 2011).

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